

Service Date: August 16, 2001

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

IN THE MATTER OF ENERGY WEST	)	
MONTANA, Application for Approval of	)	UTILITY DIVISION
Increased Rates Pursuant to the Gas	)	DOCKET NO. D2000.12.209
Cost Tracking Procedure for Propane	)	ORDER NO. 6323b
Service to Customers within the Cascade,	)	
Montana, Service Area.	)	

FINAL STIPULATED ORDER

FINDINGS OF FACT

1. On December 13, 2000, ENERGY WEST Montana in Cascade (EWM-C), a Division of ENERGY WEST, INC., filed an application with the Montana Public Service Commission (Commission or PSC) to increase rates for propane service by \$88,338 through its approved gas cost tracking mechanism. This request represents an increase of 38.9% to residential customers and 40.1% to commercial customers. EWM-C asked for interim relief of \$86,713 or an increase of 38.2% for residential customers and a 39.4% increase for commercial customers. EWM-C requested \$1,620 in carrying costs stating that a larger under-recovered or over-recovered balance has a significant impact on a utility of its size. EWM-C also requested a monthly propane gas cost adjustment, arguing it would provide proper and timely price signals to customers and minimize the unreflected gas cost account balance to avoid cost shifts from one period to another.

2. On March 20, 2001, the Commission granted EWM-C interim relief of \$86,713, no action was taken on EWM-C's request for carrying costs and monthly gas tracker.

3. On June 22, 2001, EWM-C filed an amended application for an interim rate increase and a Stipulated Agreement with the Montana Consumer Counsel (MCC). No action will be taken on the requested amended interim rate increase, because the Commission approves the Stipulation Agreement on a final basis, and the request for an amended interim order becomes moot. EWM-C is asking for an increase of \$47,341 over current rates to be recovered over a multi-year amortization period.

4. EWM-C states that since filing D2000.12.209, it has been faced with purchased gas costs that were in the filing, but not reflected in the rates during the months of January, February and March of 2001, a period of highest use due to lower temperatures. As of March 30, 2001, the total unrecovered gas cost balance has reached a level of \$51,444. To obtain recovery in one year would increase the cost of propane by \$0.19 per gallon (\$0.52997 per ccf) or 20 per cent. EWM-C argues that such an immediate increase would have a severe impact on its ability to retain customers competing against unregulated bulk propane dealers.

5. EWM-C and MCC have agreed that a monthly tracking adjustment mechanism would be appropriate. The trigger for implementation of a rate change, either up or down, would be set at a 7 cent per gallon change in wholesale propane costs.

6. EWM-C and MCC have agreed that the current unrecovered balance could best be recovered by using a multi-year amortization method, the length of which would be determined in accordance with the flexibility provisions of the proposed tariff. EWM-C and MCC propose that the company could vary the recovery amount per unit from \$0.04558 (amount currently in the rates) to \$0.57555 per ccf (amount of recovery in one year), depending on the competitive market. No carrying costs are proposed to be applied to the unrecovered balance.

7. EWM-C and MCC have agreed to use the contract price of \$0.7377 per gallon for all volumes consumed by EWM-C customers during the period of the contract. This has the effect of reducing the tracker balance by \$5,468, from \$56,912 to \$51,444.

8. In the past EWM-C has used 2.51 gallons/ccf for the purpose of converting gallons of propane to ccf of propane vapor. EWM-C and MCC have agreed to use 2.75 gallons/ccf for conversion purposes. This makes EWM-C conversion factor consistent with all other propane utilities in Montana. The change in conversion factors has the effect of decreasing the proposed storage charge from \$0.1724 per gallon (\$0.47410 per ccf) to \$0.1584 per gallon (\$0.43552 per ccf). The overall effect of this change is a reduction of \$2,762 from the original application in Docket No. 2000.12.209.

9. The conversion factor change also has the effect of increasing the cost of propane. Using the 2.75 as a conversion factor applied to the projected commodity costs increases the cost per ccf from \$1.8232 to \$2.0019. The net effect of the decrease of the storage charge \$2,762 and the increase of the cost of propane \$17,729 is an increase of \$14,967. Both EWM-C and MCC agreed that no adjustment in regard to conversion factor would be made retroactively to

recalculate the unrecovered gas costs balance. After review the Commission finds the standardization of the conversion factor to be warranted.

10. Upon review and consideration the Commission adopts the Stipulation, finding that the rates and charges in the Stipulation are just and reasonable. The Commission authorizes Energy West Montana – Cascade, on a final basis, to implement the changes, in full, as outlined in the Findings of Fact above.

### CONCLUSION OF LAW

1. The Montana Public Service Commission is responsible for the supervision, regulation and control of public utilities pursuant to the provisions of Title 69, §69-3-102, MCA.

2. Energy West Montana – Cascade is a public utility subject to the Commission's jurisdiction, §69-3-101, MCA.

3. The Commission concludes that the approval of the Stipulation Agreement and Propane Cost Tracking Procedure are both just and reasonable.

### ORDER

NOW THEREFORE, IT IS ORDER THAT:

1. Energy West Montana – Cascade is hereby granted authority to implement rate increases and change in the amount of \$47,341 over a multi-year amortization period, on a final basis, for its customers as outlined in the Stipulation Agreement.

2. Energy West Montana – Cascade shall file revised tariff schedules to all services as outlined in the Stipulation. Tariffs shall be effect for services rendered on and after August 14, 2001.

3. The Commission hereby adopts the Monthly Propane Cost Tracking Procedure as outlined in the Stipulation. Energy West Montana – Cascade shall file tariffs for the implementation of this procedure as outlined in the Stipulation for Commission review and approval.

DONE IN OPEN SESSION AT HELENA, MONTANA THIS 14 day of August, 2001, by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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GARY FELAND, Chairman

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JAY STOVALL, Vice Chairman

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BOB ANDERSON, Commissioner

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MATT BRAINARD, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Rhonda J. Simmons  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.